Report

of the

Examination of

Milwaukee Insurance Company

(Formerly Known As Milwaukee Mutual Insurance Company)

Milwaukee, Wisconsin

As of December 31, 2001

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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April 25, 2003

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Commissioners:

In accordance with your instructions, a compliance examination has been made of the affairs and financial condition of:

MILWAUKEE INSURANCE COMPANY
Milwaukee, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Milwaukee Insurance Company ("MIC," the "company") was conducted in 1997 as of December 31, 1996. The current examination covered the intervening period ending December 31, 2001, and included a review of such 2002 transactions as deemed necessary to complete the examination.

The examination consisted of a review of all major phases of the company's operations, and included the following areas:

History
Management and Control
Corporate Records
Conflict of Interest
Fidelity Bonds and Other Insurance
Territory and Plan of Operations
Affiliated Companies
Growth of Company
Reinsurance
Financial Statements
Accounts and Records
Data Processing

Emphasis was placed on the audit of those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination. Special attention was given to the action taken by the company to satisfy the recommendations and comments made in the previous examination report.

The section of this report titled "Summary of Examination Results" contains comments and elaboration on those areas where adverse findings were noted or where unusual situations existed. Comment on the remaining areas of the company's operations is contained in the examination work papers.

The company is annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for the completion of this examination were performed. The examination work papers contain documentation with respect to the alternative or additional examination steps performed during the course of the examination.

II. HISTORY AND PLAN OF OPERATION

Milwaukee Insurance Company is a Wisconsin domiciled stock property and casualty insurer. The company was initially incorporated on October 3, 1916 as a Wisconsin domiciled mutual insurer, under the name Milwaukee Automobile Insurance Company Limited Mutual Exchange. The company's name was changed to Milwaukee Automobile Mutual Insurance Company on February 18, 1955, and on February 21, 1964, the name was changed to Milwaukee Mutual Insurance Company. Effective April 1, 2003, the company established a mutual holding company, converted to a stock insurance company subsidiary of the new mutual holding company, and changed its name to Milwaukee Insurance Company, the name presently used by the company.

Milwaukee Mutual Insurance Company organized Milwaukee Casualty Insurance Co. ("Milwaukee Casualty," formerly known as Milwaukee Guardian Insurance Company) as a subsidiary insurer on September 28, 1973, and organized Milwaukee Safeguard Insurance Company ("Milwaukee Safeguard") as a subsidiary insurer effective January 25, 1982. In 1985, the company established Milwaukee Insurance Holding Company, later renamed Milwaukee Insurance Group, Inc. ("MIG"), to serve as an intermediate holding company entity for the Milwaukee Insurance Company subsidiaries. Effective December 31, 1985, Milwaukee Insurance Company contributed 100% of the capital stock of its directly held insurance subsidiaries to Milwaukee Insurance Group, Inc. in exchange for 100% ownership of the issued and outstanding capital stock of MIG.

In November 1986, MIG issued additional shares of its common capital stock and conducted an initial public stock offering. Upon completion of the offering, approximately 65% of the common stock of MIG remained under the ownership of Milwaukee Insurance Company, and the remaining 35% was owned by public shareholders. Effective December 31, 1992, MIG acquired 100% of the capital stock of Alpha Property & Casualty Insurance Company ("Alpha P&C"), a Wisconsin domiciled property and casualty insurer. MIG conducted a second public offering of 1,000,000 newly issued shares of MIG common stock in 1993, resulting in the reduction of Milwaukee Insurance Company's ownership interest of MIG to approximately 49%.

Trinity Universal Insurance Company ("Trinity Universal") acquired all of the capital stock of MIG effective October 2, 1995. Trinity Universal is a Texas domiciled property and casualty insurer wholly owned by Unitrin, Inc. Upon the change of control of MIG to Trinity Universal, the ultimate ownership and control of Milwaukee Casualty, Milwaukee Safeguard and Alpha P&C transferred to Unitrin, Inc.

Milwaukee Insurance Company has two employees and maintains investment management and corporate governance operations at its home office. MIC is affiliated with Trinity Universal through affiliated reinsurance agreements and by various intercompany agreements whereby Trinity Universal and other entities within the Unitrin, Inc. organization provide services to the company. The company does not conduct insurance operations independent from the operations performed by Trinity Universal. Business functions conducted for the company by Trinity Universal and affiliates in the Unitrin, Inc. holding company include insurance underwriting, marketing and policy issuance, claims administration and adjudication, and accounting and financial reporting. Further discussion of the Unitrin, Inc. holding company organization, description of the significant insurance affiliates of the company, and description of the company's affiliated agreements is included in the section of this report captioned "Affiliated Companies."

Effective April 1, 2003, Milwaukee Mutual Insurance Company transacted a restructuring under which the company converted to a stock insurance company and established Mutual Insurers Holding Company ("MIHC") as a Wisconsin domiciled mutual holding company. MIHC was organized pursuant to ch. 644, Wis. Stat., which provides that a Wisconsin domiciled mutual insurer may convert to a stock insurance company by transferring all ownership interest of the mutual insurer policyholders to a mutual holding company, which then becomes the owner of the newly-converted stock insurance company. Under the 2003 restructure, all membership interests and rights in surplus of the policyholders of the pre-conversion Milwaukee Mutual Insurance Company were extinguished and became rights of membership in MIHC. MIHC is a mutually owned corporation having no capital stock, which owns all of the 2,000,000 authorized and outstanding shares of $1 par value common capital stock of Milwaukee Insurance Company.

During 2001, the company wrote direct premium in the following states:

Illinois	$23,076,487	42%
Wisconsin	19,592,612	36%
Minnesota	6,456,620	12%
South Dakota	2,315,819	4%
Indiana	1,182,938	2%
All others	2,193,512	4%
	$54,817,988	100%

The company is licensed in 12 states, including in the states of Arizona, Colorado, Illinois, Indiana, Iowa, Kentucky, Minnesota, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin.

The major products written by the company include standard risk automobile, homeowners, fire, commercial liability, workers compensation, and related insurance lines. The company's insurance policies are marketed by Trinity Universal Insurance Company through Trinity Universal's regional operations offices and independent agents. The company does not write sub-standard risks.

The following table is a summary of the net insurance premiums written by the company in 2001. The growth of the company is discussed in the Financial Data section of this report.

Line of Business	Direct Premium	Reinsurance Assumed	Reinsurance Ceded	Net Premium
Fire	$3,311425	$0	$3,165,908	$145,517
Allied lines	2,466,497		2,354,157	112,340
Homeowners multiple peril	4,162,017		3,961,103	200,914
Commercial multiple peril	4,237,345	9,988,899	13,527,544	698,700
Ocean marine	40,279		38,265	2,014
Inland marine	3,093,350		2,950,615	142,735
Financial guaranty		92,924	88,278	4,646
Earthquake	65,638		63,687	1,951
Workers' compensation	12,896,264	3,285,820	15,381,778	800,306
Other liability - occurrence	8,325,820		8,031,591	294,229
Products liability - occurrence	979,008		931,804	47,204
Commercial auto liability	10,518,493	2,362,200	12,263,572	617,121
Auto physical damage	4,546,853	510,211	4,807,297	249,767
Fidelity	100,835		95,793	5,042
Burglary and theft	74,164		70,456	3,708
Total All Lines	$54,817,988	$16,240,054	$67,731,848	$3,326,194

III. MANAGEMENT AND CONTROL

Board of Directors

The Milwaukee Insurance Company board of directors consists of nine members. Three directors are elected annually to serve a three-year term. Officers are elected at the board's annual meeting. Members of the company's board of directors may also be members of other boards of directors in the holding company group. One MIC director, Mr. Richard C. Vie, is also a director of Unitrin, Inc. Each MIC board member, other than the company president, currently is paid an annual retainer of $7,000 for serving on the board, and is paid a board member meeting fee of $1,000 for each board meeting attended.

Currently the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Joseph C. Branch Mequon, WI	Partner - Foley & Lardner	2004
David D. Chomeau Kirkwood, MO	Executive Vice President and Chairman - Investment Committee of Capitol County Mutual Fire Insurance Company	2003
Daniel R. Doucette Elm Grove, WI	President and CEO - Milwaukee Insurance Company	2004
John P. Gould Chicago, IL	Professor of Economics - Chicago Graduate School of Business	2005
Richard A. Hemmings Winnetka, IL	Partner - Lord, Bissell & Brook	2005
Peter H. Huizenga Oak Brook, IL	President – Huizenga Capital Management	2005
Sanford J. Jett Lisle, IL	Executive Director - Trinity Lutheran Church	2003
Terry Lee Van Der Aa Hinsdale, IL	President and CEO - American Transit Corporation	2003
Richard C. Vie Lisle, IL	Chairman, President & CEO - Unitrin, Inc.	2004

Officers of the Company

The officers serving at the time of this examination are as follows:

Name	Office	2001 Compensation
Daniel R. Doucette	President and Chief Executive Officer	$348,050
Joseph C. Branch	Vice President and Secretary	7,000
Elisha F. Wright	Vice President-Finance and Treasurer	57,750

Note: Mr. Doucette is an employee of the company, and his compensation reflects annual salary and bonus compensation. Compensation paid for Mr. Branch consists solely of annual board of director's fees.

Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. The committees at the time of the examination are listed below:

Executive Committee
Joseph C. Branch
Daniel R. Doucette
Richard C. Vie

Audit Committee
David D. Chomeau
Peter H. Huizenga
Sanford J. Jett

Investment Committee
Joseph C. Branch
Daniel R. Doucette
Richard C. Vie

Compensation Committee
John P. Gould
Peter H. Huizenga
Sanford J. Jett
Terry Lee Van Der Aa

IV. AFFILIATED COMPANIES

Milwaukee Insurance Company is a stock insurance company owned and controlled by Mutual Insurers Holding Company. The company has one wholly owned non-operating subsidiary, Clearwater Lake Asset Manager, Inc. ("CAM"). In addition, Milwaukee Insurance is affiliated with the Unitrin, Inc. holding company system through reinsurance and intercompany management and services agreements, and through membership of one or more senior executives of Unitrin, Inc. on the MIC board of directors. The organizational chart below depicts the relationships among the affiliates in the Unitrin, Inc. group. A brief description of CAM and the Unitrin, Inc. subsidiaries that have significant relationships to the company follows the organizational chart.

Unitrin, Inc.
Organization Chart

- Unitrin, Inc.
  - Fireside Securities Corporation
    - Fireside Thrift Co.
  - Unitrin Services Company
  - Unitrin Direct Insurance Company
    - Unitrin Advantage Insurance Company
  - Trinity Universal Insurance Company
    - Alpha Property & Casualty Insurance Company
    - Milwaukee Casualty Insurance Co.
    - Milwaukee Safeguard Insurance Company
    - Financial Indemnity Company
    - Security National Insurance Company
    - Southern States General Agency, Inc.
      - Southern States Finance Corporation
    - Trinity Lloyd's Corporation
    - Trinity Lloyd's Insurance Company
    - Trinity Universal Insurance Company of Kansas, Inc.
    - Valley Group, Inc.
      - Charter Group, Inc.
        - Charter General Agency, Inc.
        - Charter Indemnity Company
        - NCM Management Corporation
      - Valley Property & Casualty Insurance Company
      - Valley Pacific, Inc.
      - Valley Insurance Company
  - Kemper Auto & Home Group, Inc.
    - Kemper Enterprise Agency, Inc.
    - Kemper Auto & Home Insurance Company
      - Unitrin Direct General Agency, Inc.
    - Kemper Independence Insurance Company
  - United Insurance Company of America
    - NationalCare Insurance Company
      - Reserve National Insurance Company
        - Summerset Marketing Company
          - National Association of Self-Employed Business Owners
          - Rural American Consumers A National Association
          - The National Association of Medicare Members, Inc
    - The Reliable Life Insurance Company
      - Clayton Reinsurance, LTD.
        - Clayton Reinsurance LTD (Bermuda)
      - Family Security Funerals Company
      - The Reliable Life Insurance Company of Texas
    - Union National Life Insurance Company
      - Union National Fire Insurance Company
    - United Casualty Insurance Company of America

Unitrin, Inc.

Unitrin, Inc. is a publicly traded holding company incorporated in the State of Delaware in February 1990. Unitrin, Inc. was established to hold all of the insurance and finance business subsidiaries of Teledyne, Inc., which spun off all of its remaining insurance and finance subsidiaries on April 20, 1990 through the distribution to its shareholders of the outstanding capital stock of Unitrin, Inc. Through its operating subsidiaries, Unitrin, Inc. offers property and casualty insurance, life and health insurance, and consumer finance products and services. Operations of the Unitrin, Inc. holding company are organized into five strategic business segments: Multi Line Insurance, Specialty Lines Insurance, Unitrin Direct, Life and Health Insurance, and Consumer Finance.

As of December 31, 2001, Unitrin, Inc.'s GAAP basis audited financial statements reported total assets of $7,133.7 million, total liabilities of $5,216.9 million, and total shareholders' equity of $1,916.8 million. Operations in 2001 provided reported net income of $380.9 million.

Unitrin Services Company ("Unitrin Services")

Unitrin Services Company provides senior executive management, administrative services, and computer services to certain of the operating companies within the Unitrin, Inc. holding company. Services provided include executive management; investment management, analysis and accounting; financial accounting and reporting; tax accounting and tax return preparation; internal audit; financial planning; capital project evaluation; real estate management; and computer equipment and processing services. The costs of services rendered by Unitrin Services are allocated to its respective affiliates pursuant to general services agreements and computer services agreements established between Unitrin Services and its affiliates.

As of December 31, 2001, Unitrin Services's GAAP basis unaudited financial statements reported total assets of $26.7 million, total liabilities of $43.7 million, and total shareholders' equity of $(17) million. Operations in 2001 provided reported net loss of $1.6 million.

Trinity Universal Insurance Company ("Trinity Universal")

Trinity Universal Insurance Company is a multi-line insurance company organized under the laws of Texas in 1932 from the merger of Trinity Fire Insurance Company and Universal Automobile Insurance Company. Trinity Universal is the largest property and casualty insurance subsidiary of Unitrin, Inc., and is the holding company's leading insurer in the Multi Line Insurance business segment. Trinity Universal and its subsidiary insurers operate primarily in the Southern, Midwestern, and Western states, and offer preferred risk and standard risk automobile, homeowners, fire, commercial liability, workers compensation, and related insurance products. Trinity Universal is the immediate parent of three Wisconsin domiciled insurers, including Milwaukee Casualty Insurance Co., Milwaukee Safeguard Insurance Company, and Alpha Property & Casualty Insurance Company.

As of December 31, 2001, Trinity Universal's statutory basis audited financial statements reported total admitted assets of $1,955.5 million, total liabilities of $1,324.2 million, and surplus as regards policyholders of $631.2 million. Operations in 2001 provided reported net income of $285.7 million.

Valley Insurance Company ("VIC")

Valley Insurance Company is a property and casualty insurance company subsidiary of Trinity Universal Insurance Company, domiciled in the State of California. VIC provides multi-line property and casualty individual and business insurance coverages, marketing its products in the western United States through independent agents.

As of December 31, 2001, VIC's statutory basis audited financial statements reported total admitted assets of $32,5 million, total liabilities of $13.7 million, and surplus as regards policyholders of $18.8 million. Operations in 2001 provided reported net loss of $1.4 million.

Clearwater Lake Asset Managers, Inc. ("CAM")

Clearwater Lake Asset Managers, Inc. is a wholly owned subsidiary of Milwaukee Insurance Company. CAM serves solely as a holding company entity, does not conduct any business operations, and holds a 99% interest in Clearwater Lake Joint Venture, a real estate property development venture. Milwaukee Insurance Company holds the remaining 1% interest in Clearwater Lake Joint Venture.

As of December 31, 2001, CAM's GAAP basis unaudited financial statements reported total assets of $5,017,025, total liabilities of $34,240, and total shareholders' equity of $4,982,785. Operations in 2001 provided reported net income of $298,574.

Affiliated Agreements

1. 1997 General Service Agreements – Effective January 1, 1997, separate general service agreements were established between Unitrin Services Company and Milwaukee Insurance Company, Milwaukee Casualty, Milwaukee Safeguard, and Alpha P&C. Under the agreements, Unitrin Services provides various operations services, including executive management, investment trade execution and investment accounting, financial accounting and reporting, tax accounting, risk management, internal audit, cash management and bank relations, financial planning, and legal support services. A portion of Unitrin Services' costs incurred in providing the services is allocated to MIC on the basis of the hourly salary and employee benefits costs of the Unitrin Services employees who perform the services.

   In addition to the above agreements, an additional general service agreement was established effective January 1, 1997 between Milwaukee Insurance Company and Trinity Universal Insurance Company. The provisions of the agreement are identical to the Unitrin Services agreements described above except that the Trinity Universal agreement does not provide for investment trade execution and analysis, tax accounting or advice, or corporate secretarial services. Allocation of Trinity Universal incurred costs is based on the hourly salary and employment benefit costs of the Trinity Universal employees who provide the services, as well as all out-of-pocket expenses incurred by Trinity Universal. The general services agreements have a continuous term unless terminated by the respective parties upon not less than 30 days prior written notice.

2. 1997 Computer Services Agreements - Effective January 1, 1997, separate computer service agreements were established between Unitrin Services Company and Milwaukee Insurance Company, Milwaukee Casualty, Milwaukee Safeguard, and Alpha P&C. Under the agreements, Unitrin Services provides various computer processing and equipment services, including processing using Unitrin, Inc. systems at any of its data center facilities, and the use of systems including central processors and controllers, data storage devices and drives, data management software, network software, and other facilities. Unitrin Services's projected annual costs are allocated proportionately to the respective insurers based on projected usage by monthly invoices. At year-end Unitrin Services reconciles its budgeted costs and the insurer's projected usage with actual costs and usage, and the parties execute net settlement for the year ending. The computer services agreements have a continuous term unless terminated by the respective parties upon not less than 30 days prior written notice.

3. 2002 Administrative Services Agreement – Effective January 1, 2002, separate administrative services agreements were established between Valley Insurance Company, Trinity Universal Insurance Company, and Milwaukee Insurance Company, Milwaukee Casualty, Milwaukee Safeguard, and Alpha P&C. Under the agreements, VIC is responsible for the field service administration of all aspects of the Milwaukee insurers' policies serviced in the State of Oregon that are not performed by Trinity Universal. Services performed by VIC include regulatory filings, underwriting, settlement and payment of all claims, reporting to Trinity Universal and the Milwaukee insurers, and maintenance of statistical data. The agreement provides that VIC will invoice Trinity Universal and the Milwaukee insurers for the Milwaukee insurers' proportionate share of VIC's expenses incurred in providing the services. Payment for VIC services to the Milwaukee insurers is paid by Trinity Universal.

V. REINSURANCE

The company's reinsurance portfolio and strategy is described below. The company’s reinsurance contracts contained proper insolvency provisions.

The company's reinsurance program consists of the following four types of reinsurance transactions: (1) affiliated Old Pool reinsurance for run-off business issued prior to 1995; (2) affiliated 80% quota share assumption of risks from First Non-Profit Insurance Company ("FNP"); (3) participation as a ceding insurer in external reinsurance treaties in which Trinity Universal is the lead ceding company; and (4) affiliated 95% quota share cession of net retained liability to Trinity Universal Insurance Company.

Old Pool Reinsurance:

Prior to October 1, 1995, Milwaukee Insurance Company, Milwaukee Casualty, and Milwaukee Safeguard participated in a reinsurance pooling arrangement (the "Old Pool") whereby business acquired by Milwaukee Casualty and Milwaukee Safeguard was pooled with the business of MIC and the combined premiums and losses were prorated to the pool participants on a percentage of participation basis. Pursuant to the Old Pool, Milwaukee Insurance Company retained 40% of the pooled business, and ceded a 30% participation each to Milwaukee Casualty and Milwaukee Safeguard.

Effective October 1, 1995 the Old Pool agreement was put into run-off and a New Pool agreement was transacted whereby Milwaukee Safeguard served as the lead company in the pool agreement and had a 68% pool participation. In addition, from October 1, 1995 through December 31, 1996, Milwaukee Safeguard ceded its net underwriting results to Trinity Universal under a 41% quota share reinsurance agreement.

Effective January 1, 1997, the pool participants terminated and commuted the New Pool agreement and the existing affiliated quota share agreements and resumed the Old Pool reinsurance arrangement. Milwaukee Insurance Company presently retains 40% of the pooled business and cedes a 30% participation to Milwaukee Casualty and 30% to Milwaukee Safeguard. Milwaukee Casualty and Milwaukee Safeguard cede 100% of their net retained liability under the Old Pool to Trinity Universal, whereas Milwaukee Insurance Company retains 100% of its 40%

Old Pool participation. The Old Pool business is in run-off and the business volume is not material. Effective January 1, 1997, Trinity Universal was appointed pool manager, but does not receive a fee for its management services.

Affiliated Assumption of First Non-Profit Insurance Company Risks

Effective July 1, 2001, the company entered into an 80% quota share assumption agreement with First Nonprofit Insurance Company. Pursuant to the agreement, the company assumes an 80% participation in the net retained liability of FNP in respect to all claims incurred after the effective date on all FNP direct written and assumed business. Milwaukee Insurance Company receives 80% of premiums on new FNP business, and pays to FNP a ceding commission calculated per the provisions of the agreement. FNP is restricted to using its existing underwriting guidelines and may not change the lines or classes of business written by FNP, or change the commission schedules applicable to FNP's producing agents, or change any other material provision of FNP underwriting practices without prior written permission of MIC. FNP retains responsibility for all aspects of policy administration including regulatory filings, underwriting, policy issuance, billing and collection of premium, adjudication and settlement of claims, and compilation of necessary statistical data for compliance with financial and regulatory reporting requirements.

External Ceded Reinsurance

The company participates under various Trinity Universal reinsurance treaties for the majority of customary reinsurance coverages so as to limit risk exposure due to large losses and catastrophic loss occurrence. The company's retention on its property and casualty business is $750,000 per occurrence except for auto, which is $100,000 per occurrence. The company's excess of loss on worker's compensation and employer's liability risks provides coverage of up to $4,000,000 in excess of company retention of $1,000,000 each accident, each employee. The group maintains property catastrophe reinsurance that is structured in three layers. The company's catastrophe treaties provide that the company retains $6,000,000 of risk for each loss occurrence in non western states. The catastrophe treaties provide for a first excess coverage of $30 million, a second excess coverage of $90 million, and an aggregate limit of coverage for all catastrophe loss occurrences during the contract period is $110,000,000. The group has an umbrella quota share agreement that cedes 90% of up to $1,000,000 policy aggregate and 100% of risk in excess of the policy aggregate. The principal participating reinsurers in the Trinity Universal group reinsurance policies are General Reinsurance Corporation, Swiss Reinsurance America Corporation, and Lloyds of London.

Affiliated Ceded Reinsurance

Effective January 1, 1997, Milwaukee Insurance Company established a 95% quota share ceded reinsurance agreement with Trinity Universal. The agreement covers 95% of the net policy obligations incurred on business written from October 1, 1995 through December 31, 1996, and 95% of all business written on or after January 1, 1997. The treaty excludes policies that are included in the pre-October 1, 1995 Old Pool. Risks ceded by the company to Trinity Universal are net of all external third-party reinsurance cessions.

The 1997 agreement provides that Trinity Universal, on behalf of Milwaukee Insurance Company and in MIC's name shall be responsible for the administration of all aspects of Milwaukee Insurance Company written policies, subject to the general supervision of the MIC board of directors. Trinity Universal services include but are not limited to handling of all regulatory filings, underwriting, accepting risks and issuing the policies, billing and collecting all premiums, paying all agent’s and broker’s commissions, adjusting and paying all claims under the applicable policies, reporting to Milwaukee Insurance, compiling statistical data necessary for Milwaukee Insurance to comply with all financial reporting and regulatory reporting requirements, and other services as are required by the reinsurance agreement service schedule.

Amendments to the treaty provide that Trinity Universal may delegate some or all of the administrative services for the MIC business to other affiliates in the Unitrin, Inc. holding company group, and provide that the Milwaukee Insurance Company cession to Trinity Universal includes a 95% quota share portion of the business assumed by MIC from First Nonprofit Insurance Company.

VI. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported in the December 31, 2001, annual statement to the Commissioner of Insurance. Also included in this section are schedules that reflect the growth of the company, NAIC Insurance Regulatory Information System ("IRIS") ratio results for the period under examination, and the compulsory and security surplus calculation. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Surplus per Examination."

Milwaukee Insurance Company
Assets
As of December 31, 2001

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$23,241,935		$23,241,935
Stocks:			
Common stocks	11,199,325	$2,136,643	9,062,682
Real estate properties held for sale	7,068,136		7,068,136
Cash	916,584		916,584
Short-term investments	5,785,795		5,785,795
Other invested assets	4,518,152		4,518,152
Receivable for securities	1,300,000		1,300,000
Funds held by or deposited with reinsured companies	39,508		39,508
Reinsurance recoverable on loss and adjustment payments	538,841		538,841
Interest, dividends, and real estate income due and accrued	375,422		375,422
Receivable from parent, subsidiaries, and affiliates	1,368,479		1,368,479
Other assets nonadmitted:			
Loans on personal security, endorsed or not	124,242	124,242	
Write-ins for other than invested assets			
Miscellaneous recoverable	224,130	224,130	
Total Assets	$56,700,549	$2,485,015	$54,215,534

Milwaukee Insurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2001

Losses	$ 5,244,412
Reinsurance payable on paid loss and loss adjustment expenses	34,739
Loss adjustment expenses	1,690,654
Commissions payable, contingent commissions, and other similar charges	25,890
Other expenses (excluding taxes, licenses, and fees)	4,355,861
Taxes, licenses, and fees (excluding federal and foreign income taxes)	399,273
Unearned premiums	1,605,014
Ceded reinsurance premiums payable (net of ceding commissions)	792,673
Payable to parent, subsidiaries, and affiliates	5,936,991
Total Liabilities	20,085,507
Unassigned funds (surplus)	34,130,025
Surplus as Regards Policyholders	34,130,025
Total Liabilities and Surplus	$54,215,532

Milwaukee Insurance Company
Summary of Operations
For the Year 2001

Underwriting Income	
Premiums earned	$2,991,036
Deductions:	
Losses incurred	2,692,823
Loss expenses incurred	717,857
Other underwriting expenses incurred	1,861,380
Total underwriting deductions	5,272,060
Net underwriting loss	(2,281,024)
Investment Income	
Net investment income earned	205,387
Net realized capital gains	329,399
Net investment gain	534,786
Other Income	
Net loss from agents' or premium balances charged off	(14,852)
Finance and service charges not included in premiums	15,773
Total other income	921
Net loss before dividends to policyholders and before federal and foreign income taxes	(1,745,317)
Dividends to policyholders	58,595
Net loss after dividends to policyholders but before federal and foreign income taxes	(1,803,912
Federal and foreign income taxes incurred	(8,000)
Net Loss	$(1,795,912)

Milwaukee Insurance Company
Cash Flow
As of December 31, 2001

Premiums collected net of reinsurance	$3,385,970		
Loss and loss adjustment expenses paid (net of salvage or subrogation)	3,321,480		
Underwriting expenses paid	1,510,099		
Cash from underwriting		$(1,445,609)	
Investment income (net of investment expense)		344,909	
Other income (expenses):			
Agents' balances charged off	(14,852)		
Write-ins for miscellaneous items:			
Finance and service charges	15,773		
Total other income		921	
Deduct:			
Dividends to policyholders paid		58,595	
Federal income taxes recovered		(8,000)	
Net cash from operations			$(1,150,374)
Proceeds from investments sold, matured, or repaid:			
Bonds	5,256,327		
Stocks	30,513,905		
Real estate	1,197,494		
Other invested assets	2,177,799		
Miscellaneous proceeds	374,423		
Total investment proceeds		39,519,948	
Cost of investments acquired (long-term only):			
Bonds	10,815,088		
Stocks	27,376,301		
Real estate	102,362		
Other invested assets	7,500		
Miscellaneous applications	5,006,888		
Total investments acquired		43,308,139	
Net cash from investments			(3,788,191)
Cash provided from financing and miscellaneous sources:			
Capital notes, less amounts repaid	2,622,938		
Other cash provided	1,552		
Total		2,624,490	
Net cash from financing and miscellaneous sources			2,624,490
Net change in cash and short-term investments			(2,314,075)
Reconciliation			
Cash and short-term investments, December 31, 2000			9,016,452
Cash and short-term investments, December 31, 2001			$6,702,377

Milwaukee Insurance Company
Compulsory and Security Surplus Calculation
December 31, 2001

Assets	$54,215,534	
Less liabilities	20,085,507	
Adjusted surplus		$34,130,027
Annual premium:		
Lines other than accident and health	3,326,194	
Factor	20%	
Compulsory surplus		653,520
Compulsory surplus excess (or deficit)		$33,476,507
Adjusted surplus (from above)		$34,130,027
Security surplus: (140% of compulsory surplus, factor reduced 1% for each $33 million in premium written in excess of $10 million, with a minimum factor of 110%)	914,928	
Security surplus excess (or deficit)		$33,215,099

Milwaukee Insurance Company
Reconciliation and Analysis of Surplus
For the Five-Year Period Ending December 31, 2001

The following schedule is a reconciliation of total surplus during the period under examination as reported by the company in its filed annual statements

	1997	1998	1999	2000	2001
Surplus, beginning of year	$40,745,532	$39,699,784	$39,582,679	$39,676,680	$36,892,635
Net income	231,636	1,771,528	2,452,805	(1,385,877)	(1,795,912)
Net unrealized capital gains or (losses)	(64,672)	(405,075)	(445,484)	(197,211)	(210,436)
Change in net deferred income tax					(367,061)
Change in non-admitted assets	986,354	84,550	1,200	14,218	(224,130)
Change in provision for reinsurance				(4,513)	4,513
Change in excess of statutory reserves over statement reserves	(290,050)	290,050			
Cumulative effect of changes in accounting principles					(1,837,587)
Real estate valuation reserve	(1,909,016)	(1,858,158	(1,914,520)	(1,210,662)	1,668,000
Surplus, end of year	$39,699,784	$39,582,679	$39,676,680	$36,892,635	$34,130,022

Milwaukee Insurance Company
Insurance Regulatory Information System
For the Five-Year Period Ending December 31, 2001

The company's NAIC Insurance Regulatory Information System ("IRIS") results for the period under examination are summarized in the following table. Unusual IRIS ratio results are denoted with asterisks. A review of the unusual ratio results follows the table of IRIS data.

	Ratio	1997	1998	1999	2000	2001
#1	Gross Premium to Surplus	199%	136%	130%	160%	208%
#2	Net Premium to Surplus	3%	6%	6%	7%	10%
#3	Change in Net Writings	-85% *	78% *	0%	10%	23%
#4	Surplus Aid to Surplus	0%	0%	1%	1%	0%
#5	Two-Year Overall Operating Ratio	107% *	98%	29%	79%	159% *
#6	Investment Yield	1.5% *	1.4% *	1.8% *	1.3% *	0.3% *
#7	Change in Surplus	-1%	-3%	0%	-7%	-7%
#8	Liabilities to Liquid Assets	66%	61%	57%	64%	51%
#9	Agents' Balances to Surplus	0%	0%	0%	0%	0%
#10	One-Year Reserve Devel. to Surplus	-1%	-5%	-5%	3%	2%
#11	Two-Year Reserve Devel. to Surplus	-7%	-5%	-10%	-2%	4%
#12	Estimated Current Reserve Def. To Surplus	-34%	0%	0%	0%	0%

The unusual results in 1997 for IRIS ratios number 3, change in writings, and number 5, two-year overall operating ratio were due to the company initiating a 95% ceded quota share treaty with its affiliate, Trinity Universal Insurance Company effective January 1, 1997. The 1997 cession of 95% of the company's written insurance liabilities reduced net writings to zero, and caused the two-year operating ratio to increase relative to 1996 due to the 1997 cession of all premiums related revenues and expenses. The 1997 transfer of assets that were related to the insurance risks ceded in 1997 significantly decreased company assets relative to 1996 and resulted in a decreased investment yield ratio.

The unusual result for IRIS ratio number 3 in 1998 was due to a 47% increase in direct premiums written during 1998, including large increases in nearly all of the company's lines of business written. As a result of the increased 1998 direct premiums the company's premiums written net of reinsurance increased by 78%.

IRIS ratio number 5 evaluates the profitability of an insurance company, and equals an insurer's loss ratio plus its expense ratio minus its investment income ratio. The unusual result for the two-year operating ratio in 2001 reflects the company's overall trend of increased incurred losses and underwriting expense and decreasing net investment income relative to the company's small net retained premiums written.

The unusual results in each year under examination for IRIS ratio number 6, investment yield, were due to the company having a large portion of its invested assets allocated to investment in real estate properties and partnership ventures which provide negligible realized annual investment yield. The large investment in low-yield assets causes the company to have underperforming investment income.

Growth of Milwaukee Insurance Company

Year	Admitted Assets	Liabilities	Surplus As Regards Policyholders	Net Income
1997	$82,190,295	$42,490,510	$39,699,784	$231,636
1998	75,455,222	35,872,539	39,582,680	1,771,528
1999	70,597,544	30,920,859	39,676,684	2,452,805
2000	71,804,125	34,911,483	36,892,638	(1,385,877)
2001	54,215,534	20,085,507	34,130,025	(1,795,912)

Year	Gross Premium Written	Net Premium Written	Premium Earned	Loss And LAE Ratio	Expense Ratio	Combined Ratio
1997	$78,909,260	$1,380,500	$3,240,878	79.7%	125.0%	204.7%
1998	54,004,422	2,463,797	2,920,062	26.2%	58.4%	84.6%
1999	51,741,718	2,468,456	2,501,975	0.5%	57.1%	57.6%
2000	58,890,006	2,702,979	2,575,442	139%	42.4%	181.4%
2001	71,058,042	3,326,194	2,991,036	114%	55.9%	169.9%

Reconciliation of Surplus per Examination

The examination did not result in adjustment to year-end 2001 surplus as reported by the company. Analysis of the company's affiliated party transactions determined that material balances reported as affiliated assets and liabilities should have been classified as premium receivables and reinsurance payables. However, due to the complexity of the company's affiliated transactions accounts and records, the examination was unable to make a reasonable determination of amounts that were incorrectly classified by the company. Examination comment and recommendation is included in the findings section of this report captioned "Affiliated Balances Financial Reporting." The examination determined that the company's surplus as regards policyholders as of December 31, 2001 was $34,130,025.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were thirteen specific comments and recommendations in the previous examination report. Comments and recommendations contained in the previous examination report and actions taken by the company are as follows:

1. **Management and Control**—It is recommended that the company file biographical data on each member of the board with the Commissioner's office in accordance with s. Ins 6.52 (3), Wis. Adm. Code.

   Action—Compliance

2. **Management and Control**—It is suggested that the board of directors utilize the investment committee to execute the investment plan that addresses the low investment yield and that the investment committee meet at least on a quarterly basis.

   Action—Compliance

3. **Corporate Records**— It is recommended that the company enter into a written agreement with its subsidiary which sets forth the terms for allocation of income taxes and file a copy of the agreement with the Commissioner.

   Action—Noncompliance. Further examination comment and recommendation is included in the findings section of this report captioned "Corporate records."

4. **Invested Assets—Commitments and Contingent Liabilities**—It is again recommended that the company designate assets which are pledged as collateral in the detail asset schedules of its statutory annual statements in accordance with the NAIC Annual Statement Instructions-Property and Casualty.

   Action—Not Applicable

5. **Invested Assets - Commitments and Contingent Liabilities**—It is recommended that the company report data concerning assets not under the exclusive control of the company in the general interrogatories of its statutory annual statement, in accordance with the NAIC Annual Statement Instructions-Property and Casualty.

   Action—Not Applicable

6. **Investments – Bonds & Stocks**—It is recommended that the company review its Schedule D – Part 1 and Part 2 to ensure that these reflect the correct cost of bonds and stocks, correct par values and correct CUSIP numbers, as required by the NAIC Annual Statement Instructions-Property and Casualty and Purposes and Procedures Manual of the NAIC Security Valuation Office.

   Action—Compliance

7. **Investments - Bonds & Stocks**—It is recommended that the company file the appropriate documentation on securities it holds with a NAIC designation of "Z" in accordance with the instructions of the Purposes and Procedures Manual of the NAIC Securities Valuation Office

and certify such in the SVO Compliance Certification as required by the NAIC's Annual Statement Instructions-Property and Casualty.

Action—Noncompliance. Further comment and examination recommendation is included in the findings section of this report captioned "NAIC SVO Filings."

8. **Investments - Real Estate - Other Properties & Other Assets—**It is suggested that the company establish an investment plan that free some of its encumbrances on real estate and other assets to increase investment yield.

   Action—Compliance

9. **Affiliated Payables/Receivables**—It is recommended that the company perform timely settlement of its affiliated balances in accordance with the settlement terms and provisions established by its intercompany service agreements.

   Action—Compliance

10. **Affiliated Payables/Receivables**—It is recommended that the company record its reinsurance transactions through the reinsurance account as required by the NAIC Annual Statement Instructions-Property and Casualty.

    Action—Noncompliance. Examination comment and recommendation is included in the examination findings section of this report captioned "Affiliated Balances Financial Reporting."

11. **Contingent Commissions**—It is recommended that the company properly report other amounts due to reinsurers in Schedule F - Part 3, column 12, pursuant to the NAIC Annual Statement Instructions-Property and Casualty.

    Action—Compliance

12. **Contingent Commissions**—It is recommended that the company follow the instructions for "Notes to Financial Statements" in accordance with the NAIC Annual Statement Instructions-Property and Casualty.

    Action—Compliance

13. **Agents' Balances or Uncollected Premiums**—It is recommended that the company report the additional reinsurance premium due under any reinsurance agreement, which includes a retrospective premium provision, on line10.3 of the Assets page of the NAIC convention annual statement pursuant to the NAIC Annual Statement Instructions-Property and Casualty.

    Action—Compliance

Summary of Current Examination Results

Corporate Records

The company files a consolidated federal income tax return with its subsidiary Clearwater Lake Asset Manager, Inc., but has not established a tax allocation agreement between the parties. The prior examination recommended that the company establish an intercompany tax allocation agreement. Current examination review determined that the company's board of directors approved a resolution that the company and CAM file a consolidated tax return, but did not execute an allocation agreement between the two entities. It is again recommended that the company enter into a written agreement with its subsidiary which sets forth the terms for consolidation of the federal income taxes of the company and its affiliate.

NAIC SVO Filings

Examination review of the company's invested assets determined that the company did not make all required filings of securities with the NAIC SVO. Observed exceptions included one bond designated in Schedule D as "1Z" that was not listed with the SVO, affiliated stock reported with the designation "1Z" for which no SUB 2 filing has been submitted to the SVO since 1998, and one non-affiliate stock reported with the designation "UZ" which had not been filed with the SVO.

The prior examination also determined that the company was not in compliance with SVO filing requirements, and recommended that the company file the appropriate documentation on its securities the SVO. It is again recommended that the company make appropriate filings with the NAIC SVO of company investments, in accordance with NAIC requirements as provided in the Purposes and Procedures Manual of the NAIC Securities Valuation Office.

Line of Credit Disclosure

A bank security agreement related to the company's Clearwater Lakes Venture investment supports a $4 million line of credit for the venture, and provides the bank with a collateral security interest under a dedicated custodial account for the benefit of the bank. The company did not report the existence of the pledged collateral position in its 2001 annual statement due to the fact that the line of credit balance was zero. However, a potential contingent security interest continues to exist as long as the line of credit facility and the related collateral security agreement are in effect. It is recommended that the company identify the existence of the line of credit facility and the collateral security agreement related to the Clearwater Lake Venture in the Annual Statement Notes to the Financial Statement section of the company's statutory annual statements, in conformity with NAIC Annual Statement Instructions—Property and Casualty.

Annual Statement Schedule D Reporting

Review of the company's reported annual statement Schedule D noted that some of the securities listed in Schedule D had matured or had been sold or otherwise disposed of, and were no longer reported in the account statements of the company's custodian. It is recommended that the preparation of Schedule D include deletion of securities which have matured, sold, or otherwise disposed of, so as to ensure correct identification of the securities that are owned by the company and to eliminate securities that are no longer owned by the company, in compliance with NAIC Annual Statement Instructions—Property and Casualty.

Real Estate Invested Assets

It was noted that certain of the company's invested assets exceed investment limitations provided under s. 620.23 (1)(c), Wis. Stat. The company's investment in Other Real Estate of $6,870,642 is in excess of 10% of the company's invested assets, and the combined investment of the company's Other Real Estate asset and its investment in the subsidiary Clearwater Lake Asset Management, Inc., whose sole purpose is to hold a 99% ownership interest in real estate assets, equals $13.7 million and amounts to 25% of the company's admitted assets.

The prior examination also noted the large real estate investments held by the company and that the company has historically experienced a relatively low investment yield as a result of real estate assets acquired by the company in the 1980's. The current examination determined that the company's board of directors performs a review of the company's real estate assets at each of its quarterly board meetings, and that the company's executive management is informed by the board of the need for the company to reduce the amount of its investment in real estate. The examiners were informed that the company is working to move toward that objective. It is recommended that the company continue to evaluate and closely manage its real estate assets and that the company continue to divest properties as opportunities to do so arise, with the long-term objective of achieving compliance with the limitations on investment in real estate assets pursuant to s. 620. 23 (1)(c) Wis. Stat.

Real Estate Financial Reporting

Examination review of the company's ledger accounts for real estate assets determined that the company included furniture and fixture assets in its reported admitted real estate assets, in violation of statutory financial reporting practice.

Under statutory accounting principles, insurance company assets are evaluated on the basis of probable future economic benefit. Assets are classified as admitted assets if the assets have economic value that can be used by an insurer to meet policyholder obligations. Furniture and fixture assets meet the criteria that define nonadmitted assets, and the net undepreciated portion of these assets should be reported as nonadmitted and recognized as a reduction to surplus.

The improper reporting of furniture and fixtures by the company was determined to be immaterial, and reported surplus was therefore not adjusted. However, it is recommended that the company report the undepreciated portion of its furniture and fixture assets as nonadmitted assets in its statutory financial statements, in conformity with SSAP Number 4, NAIC Accounting Practices and Procedures Manual.

Affiliated Balances Financial Reporting

The examination determined that the company's accounting practices for revenue related affiliated transactions are deficient, and not in conformity with statutory accounting requirements.

Under the company's current practice, ledger account balances that pertain to intercompany reinsurance transactions, plus ledger account balances for incurred expense and intercompany allocated costs, are netted among affiliated parties. The net balances of the ledger accounts determines aggregate affiliated net cash settlement assets and liabilities that are reported by the company as affiliated balances. The company's accounting procedures result in the company recording intercompany balance sheet amounts for loss reserves and net affiliated cash, but for not accrued premium receivable or ceded reinsurance payable.

The company's practice of netting income statement accounts to determine a net cash settlement between affiliated parties fails to maintain proper asset and liability transaction account classifications used to report the detail of the company's assets and liabilities that arise from company transactions with affiliates. Specifications and requirements regarding appropriate statutory accounts required for reporting an insurer's assets and liabilities is provided in the various sections of the NAIC Annual Statement Instructions Property and Casualty. SSAP Number 62, NAIC Accounting Practices and Procedures Manual, provides that affiliated reinsurance premium receivables should be combined with direct written premium receivables and the aggregate reported as uncollected premiums. SSAP Number 62 also provides that ceded reinsurance premiums payable shall be classified as a liability, and the NAIC Annual Statement Instructions Property and Casualty provides that affiliated payables should exclude liabilities related to reinsurance transactions.

Due to the complexity of the company's affiliated transaction account detail included in the company's affiliated balances ledger accounts, the examination was unable to make a reasonable determination of the direct and affiliated premium amounts that should be reclassified from the incorrectly reported affiliated assets and liabilities to the appropriate annual statement accounts. The prior examination of the company also determined that the company improperly accounted for its affiliated reinsurance balances, and recommended that the company take corrective action. It is again recommended that the company exclude affiliated reinsurance receivables and payables from its reported affiliated assets and liabilities, and that affiliated reinsurance receivables and payables be classified as premium receivables and ceded reinsurance payables, respectively, in the company's statutory financial statements, in compliance with statutory reporting requirements pursuant to SSAP Number 62, NAIC Accounting Practices and Procedures Manual and the NAIC Annual Statement Instructions Property and Casualty.

VIII. CONCLUSION

Milwaukee Insurance Company is a Wisconsin domiciled stock property and casualty insurer. The company was initially incorporated as a mutual insurer, and from February 21, 1964 through April 1, 2003 the company was known as Milwaukee Mutual Insurance Company. Effective April 1, 2003, the company established a mutual holding company, Mutual Insurers Holding Company, pursuant to Ch. 644, Wis. Stat., converted to a stock insurance company subsidiary of the new mutual holding company, and changed its name to Milwaukee Insurance Company. Upon the company’s 2003 reorganization and restructure, all membership interests and rights in surplus of the policyholders of the pre-conversion Milwaukee Mutual Insurance Company terminated and became rights of membership in MIHC.

Milwaukee Insurance Company maintains investment management and corporate governance operations at its home office. The company is affiliated with Trinity Universal Insurance Company through various reinsurance agreements and intercompany agreements with Trinity Universal and with other affiliate entities in the Unitrin, Inc. holding company, and through the membership of one or more senior executives of Unitrin, Inc. on the company’s board of directors. Trinity Universal and affiliates in the Unitrin, Inc. holding company perform all of the routine insurance business operations of MIC including insurance underwriting, marketing and policy issuance, claims administration and adjudication, and accounting and financial reporting. Milwaukee Insurance Company does not conduct insurance operations independent from the operations performed by Trinity Universal on behalf of the company.

The company writes standard risk automobile, homeowners, fire, commercial liability, workers compensation, and related insurance lines. The company's insurance marketing is performed by Trinity Universal's regional operations offices and independent agents.

The current examination determined that the company is not in compliance with two of the recommendations of the previous examination. The current examination resulted in seven recommendations summarized in section IX of this report, two of which were repeat recommendations. The examination determined that balances reported as affiliated assets and liabilities should have been classified as premium receivables and reinsurance payables. Due to the complexity of the company’s accounts and records for affiliated transactions, the examination was unable to make a reasonable determination of amounts that were incorrectly classified, and waived formal examination reclassification of the balances reported by the company. The examination did not result in any adjustments to surplus reported by the company in its year-end 2001 statutory financial statements. As of December 31, 2001, the company reported net admitted assets of $54,215,534, liabilities of $20,085,507, and policyholders' surplus of $34,130,025.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 28 - Corporate Records—It is again recommended that the company enter into a written agreement with its subsidiary which sets forth the terms for consolidation of the federal income taxes of the company and its affiliate.

2. Page 28 - NAIC SVO Filings—It is again recommended that the company make appropriate filings with the NAIC SVO of company investments, in accordance with NAIC requirements as provided in the Purposes and Procedures Manual of the NAIC Securities Valuation Office.

3. Page 29 - Line of Credit Disclosure—It is recommended that the company identify the existence of the line of credit facility and the collateral security agreement related to the Clearwater Lake Venture in the Annual Statement Notes to the Financial Statement section of the company's statutory annual statements, in conformity with NAIC Annual Statement Instructions—Property and Casualty.

4. Page 29 - Annual Statement Schedule D Reporting—It is recommended that the preparation of Schedule D include deletion of securities which have matured, sold, or otherwise disposed of, so as to ensure correct identification of the securities that are owned by the company and to eliminate securities that are no longer owned by the company, in compliance with NAIC Annual Statement Instructions—Property and Casualty.

5. Page 30 - Real Estate Invested Assets—It is recommended that the company continue to evaluate and closely manage its real estate assets and that the company continue to divest properties as opportunities to do so arise, with the long-term objective of achieving compliance with the limitations on investment in real estate assets pursuant to s. 620. 23 (1)(c) Wis. Stat.

6. Page 30 - Real Estate Financial Reporting—It is recommended that the company report the undepreciated portion of its furniture and fixture assets as nonadmitted assets in its statutory financial statements, in conformity with SSAP Number 4, NAIC Accounting Practices and Procedures Manual.

7. Page 31 - Affiliated Balances Financial Reporting—It is again recommended that the company exclude affiliated reinsurance receivables and payables from its reported affiliated assets and liabilities, and that affiliated reinsurance receivables and payables be classified as premium receivables and ceded reinsurance payables, respectively, in the company's statutory financial statements, in compliance with statutory reporting requirements pursuant to SSAP Number 62, NAIC Accounting Practices and Procedures Manual and the NAIC Annual Statement Instructions Property and Casualty.

X. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of the examination by the officers and employees of the company are acknowledged.

In addition to the undersigned, the following representatives of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination:

Name	Title
Richard Harlow Anderson	Insurance Examiner
Tom Janke	Insurance Examiner
Cruz J. Flores	Insurance Examiner

Respectfully submitted,

Thomas E. Rust
Examiner-in-Charge